

City of Detroit

CITY COUNCIL

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ANNE MARIE LANGAN
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TO: Stan Topolewski, Director
Public Lighting Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 28, 2009

RE: 2009-2010 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2009-2010 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Thursday, April 30, 2009 at 10:00 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General
Joseph Harris, Finance Director
Pamela Scales, Budget Director
Ervin Stewart, Budget Manager
Arese Robinson, Mayor's Office

Public Lighting Department (38)

FY 2009-2010 Budget Analysis by the Fiscal Analysis Division

Summary

The Public Lighting Department (PLD) is a General Fund agency. The Public Lighting Department generates and purchases electrical power, maintains street and alley lights, traffic signals, and the electrical distribution system. The department operates the Herman Kiefer heating plant that supplies heating steam to the Kiefer complex and three Detroit Public Schools. The department assists in the operation and maintenance of the Police and Fire communication system.

The 2009-2010 recommended Net Tax Cost is \$5.7 million, a \$4.9 million decrease over the current year.

The capital program, which is financed with G.O. bonds, is recommended at \$-0-.

2008-2009 Surplus/Deficit

The Budget Department has projected that the PLD will end the fiscal year with a deficit of \$1.2 million - \$1 M due to revenue shortfalls and \$228,000 due to cost overruns.

Overtime

The department's overtime budget for the current fiscal year is \$2.38 million.

As of March 31, 2008, the department has spent \$2.34 million on overtime.

The recommended 2009-2010 overtime budget is \$2.51 million. The history of overtime spent for the last eleven fiscal years is as follows:

2007-08	\$3.38 million
2006-07	\$3.45 million
2005-06	\$3.40 million
2004-05	\$3.38 million
2003-04	\$3.76 million
2002-03	\$5.4 million
2001-02	\$5.1 million
2000-01	\$5.75 million
1999-00	\$5.9 million
1998-99	\$4.9 million
1997-98	\$6.2 million

Personnel and Turnover Savings

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2008-09</u>	<u>Filled Positions 03/31/2009</u>	<u>Mayor's Budget Positions FY 2009-10</u>	<u>Over/(Under) Actual to 08/09 Budget</u>
Public Lighting (38):				
380010 General Administration	5	4	6	(1)
380020 Production Control	1	1	1	0
380030 Inspection & Control	3	3	2	0
380040 Claims Office	2	2	2	0
380060 Stores & Warehouse	0	0	1	0
380070 Plant Protection	0	0	0	0
00123 General Administration	11	10	12	(1)
380090 Engineering Administration	6	4	5	(2)
380100 Street Lighting Design	0	3	3	3
380110 Traffic Signal Design	0	4	2	4
380120 Trans. & Dist. Design	5	5	5	0
380130 Substation Design	4	4	3	0
380140 Under. Fac. Maps & Records	3	3	3	0
00127 Engineering	18	23	21	5
380100 Street Lighting Design	4	0	0	(4)
380150 Supervision	4	4	4	0
380160 Construction	18	15	24	(3)
380170 Maintenance	14	15	14	1
380180 Cables	17	16	17	(1)
380190 Conduit	11	11	9	0
380200 Street Lighting Maintenance	12	9	12	(3)
00128 Street Lighting	80	70	80	(10)
380210 Operating Administration	3	3	2	0
380220 System Testing	2	2	0	0
380230 Electrical System Control	10	9	8	(1)
380250 Electrical Maintenance	11	9	9	(2)
380260 Building Maintenance	0	0	0	0
380270 Traffic Signal Maintenance	0	0	0	0
380275 Plant Protection	0	0	0	0
00129 Operating Division	26	23	19	(3)
380280 Heat & Power Administration	7	6	6	(1)
380290 Testing & Instrument Maint.	8	8	7	0
380300 Mechanical Operations	33	30	28	(3)
380310 Mechanical Maintenance	12	10	9	(2)
380320 Power Plant Yard Operation	4	2	2	(2)
380340 Kiefer Heating Plant	4	4	4	0
00131 Heat and Power Production	68	60	56	(8)
380110 Traffic Signal Design	4	0	0	(4)
380270 Traffic Signal Maintenance	11	0	11	(11)
12155 Traffic Signals	15	11	11	(4)
38XXXX Leave of Absence	0	6	0	6
38XXXX Worker's Comp.	0	(4)	0	(4)
38XXXX Unmatched Positions	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
TOTAL	<u>218</u>	<u>200</u>	<u>199</u>	<u>(18)</u>

Significant Changes in Funding

	2004-2005 Actuals	2005-2006 Actuals	2006-2007 Actuals	2007-2008 Actuals	2008-2009 Budget	2009-2010 Recom.	Variance
Salary and Wages	\$ 14,898,355	\$13,799,377	\$12,170,009	\$ 13,422,651	\$13,250,662	\$12,065,698	\$ (1,184,964)
Employee Benefits	\$ 9,109,667	\$ 7,857,424	\$ 7,780,070	\$ 8,445,944	\$ 8,388,722	\$8,370,956	\$ (17,766)
Prof Contr. Svcs.	\$ 2,356,561	\$ 142,729	\$ 301,512	\$ 191,584	\$ 152,330	\$ 152,330	\$ -0-
Operating Supplies	\$ 32,558,879	\$47,950,725	\$33,513,954	\$ 40,720,760	\$34,026,370	\$33,501,842	\$ (2,000,724)
Operating Services	\$ 10,793,988	\$ 7,689,476	\$ 8,175,083	\$ 5,820,918	\$ 9,303,524	\$5,027,209	\$ (2,801,619))
Capital Equipment	\$ 13,725,682	\$ 6,780,560	\$ 5,543,250	\$ 3,528,034	\$ 7,021,000	\$71,000	\$ (6,950,000)
Other Expenses	\$ 1,232,820	\$ 364,249	\$ 948,796	\$ 1,041,597	\$ (316,913)	\$(312,413)	\$ 4,500
Total Approp.	\$84,675,952	\$84,584,540	\$68,432,644	\$ 73,171,488	\$71,827,195	\$58,876,622	\$ (12,950,573)
Revenues	\$59,894,796	\$57,745,858	\$52,456,887	\$ 70,256,440	\$61,045,229	\$53,092,503	\$ (7,952,726)
Net Tax Cost	\$ 24,781,156	\$26,838,682	\$15,975,757	\$ 2,915,048	\$10,781,966	\$5,784,119	\$ (4,997,847)

Capital Fund

There is no recommended g.o. bond sale for PLD as the administration has determined that it would be too costly to sell bonds in the current fiscal situation. The bonds that were budgeted in 2008 and 2009 remain unsold as well. The bonds budgeted in the current year at \$7,000,000 were proposed to be used for substation and system improvements on Belle Isle, street lighting improvements specifically on Outer Drive and the Mistersky power plant turbine overhaul.

Public Lighting (38)

Budgeted Professional and	FY 2008-09	FY 2009-10	Increase
<u>Contractual Services by Activity</u>	<u>Budget</u>	<u>Recommended</u>	<u>(Decrease)</u>
Administration	\$ 67,500	\$ 67,500	\$ -
Engineering	-	-	-
Street Lighting	-	-	-
Traffic Signals	-	-	-
Operating Division	84,830	84,830	-
Heat & Power Production	-	-	-
Capital Improvements	-	-	-
Total	<u>\$ 152,330</u>	<u>\$ 152,330</u>	<u>\$ -</u>

Issues and Questions

1. How much of the bond funds appropriated in 2007 and 2008 has been spent? What projects are in midstream and which projects cannot be started?
2. What data was used to keep the values the same as the current year for the purchase power account (\$19 M) and the power production fuel account (\$11.9 M)?
3. If GDRRA were to stop producing steam, would PLD be able to produce sufficient steam for its existing customers? Would PLD possibly be able to provide to additional customers?
4. Explain how the operating and power production divisions will continue to operate with a lower level of staffing.
5. How much in capital improvements would it take for the PLD to efficiently and cost effectively produce all of the power necessary for both the city and the existing customers. Would the city also be able to produce additional power to either sell to the grid or gain additional customers?
6. Please provide an update on the future direction/vision for PLD.